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**LAFAYETTE NEIGHBORHOODS'
ECONOMIC DEVELOPMENT
CORPORATION**
Lafayette, Louisiana

Financial Report
Years Ended April 30, 1971 and 1970

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the clerk and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/27/81

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT	i
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	3-8
INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	10-11
Summary Schedule of Prior Year Findings	12
Schedule of Findings and Questioned Costs	13
Management's Corrective Action Plan for Current Year Findings	14

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INTERMITTENT AUTOMATIC BREAST

To the Board of Directors
Lafayette Neighborhood Economic
Development Corporation
Lafayette, Louisiana

We have audited the accompanying statements of financial position of the Lafayette Neighborhoods' Economic Development Corporation (LNEC) (a nonprofit corporation) as of April 30, 2001 and 2000, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Kalyansha Neighborhood Economic Development Corporation as of April 30, 2001 and 2000, and its changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated August 13, 2001 on our consideration of the Lafayette Neighborhoods' Economic Development Corporation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

A. Corporations and Certified Public Accountants

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1. *Journal of Management Education*, 2000, 24(1), 10-19.

Abstract

1. *Staphylococcus aureus* (100%)

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LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Financial Position
April 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash and cash equivalents	\$ 153,734	\$ 151,501
Loans receivable (net)	773,818	618,813
Accrued interest receivable	6,710	1,933
Other receivables	53,896	58,678
Due from affiliates	8,508	-
Prepaid expenses	<u>6,889</u>	<u>-</u>
Total current assets	<u>\$ 1,003,545</u>	<u>\$ 830,925</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 338	\$ -
Due to affiliated organization	<u>180,693</u>	<u>79,721</u>
NET ASSETS		
Permanently restricted	<u>580,897</u>	<u>830,425</u>
Total liabilities and net assets	<u>\$ 1,003,545</u>	<u>\$ 830,925</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS ECONOMIC DEVELOPMENT CORPORATION

Statements of Activities
Years Ended April 30, 2001 and 2000

	2001	2000
PERMANENTLY RESTRICTED NET ASSETS		
Revenues:		
Governmental Grants	\$ 280,808	\$ -
Interest:		
Loans	36,373	48,065
Investments	3,940	11,819
Application fees	-	113
Other	4,314	18,011
Total support and revenue	<u>325,434</u>	<u>78,009</u>
Expenses:		
Support services -		
Management and general	<u>160,138</u>	<u>98,629</u>
Increase (decrease) in permanently restricted net assets	164,473	(20,620)
Net assets, beginning	<u>536,425</u>	<u>549,181</u>
Net assets, ending	<u>\$ 700,898</u>	<u>\$ 516,413</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE BROSSENBROSSE ECONOMIC DEVELOPMENT CORPORATION

**Statements of Cash Flows
Years Ended April 30, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 84,472	\$ (28,754)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in loans receivable	(152,998)	11,667
Change in other receivables	(1,526)	(9,213)
Change in accrued interest receivable	(789)	(3,887)
Change in prepaid expenses	(6,000)	-
Change in accounts payable	250	-
Change in due to affiliated organization	500	(1,222)
Net cash used in operating activities	<u>(125,771)</u>	<u>(19,681)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from certificate of deposit	-	12,000
Net cash provided by financing activities	<u>-</u>	<u>12,000</u>
Net (decrease) increase in cash	(125,771)	42,482
CASH AND CASH EQUIVALENTS, beginning of year	<u>210,581</u>	<u>168,099</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 184,810</u>	<u>\$ 210,581</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Lafayette Neighborhoods' Economic Development Corporation (LNEDEC) is a non-profit corporation organized under the provisions of the Cooperative Economic Development Law of the State of Louisiana. The LNEDEC operates as a component unit of the Lafayette Consolidated Government who provides funding to the program.

Nature of Activities

The LNEDEC was organized to help alleviate conditions of economic distress in the City of Lafayette's low and moderate income neighborhoods by stimulating greater private capital investment in these target areas. To accomplish this goal, the LNEDEC provides financing to new and expanding small businesses in Lafayette. The organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Significant Accounting Policies

A. Loans

Loans are stated at principal amounts outstanding as of the statement of financial position date, less the allowance for possible loan losses.

B. Allowance for Possible Loan Losses

The allowance for possible loan losses is maintained at a level considered adequate by management to absorb potential losses. The allowance is increased by provisions charged to program expenses and reduced by net charge-offs. The Corporation makes continuous credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience, and other relevant factors in determining the adequacy of the allowance.

C. Expenses

Revenue and expenses are recognized on the accrual basis.

D. Statement of Cash Flows

For purposes of the statements of cash flows, the organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

LAFAYETTE NEIGHBORHOOD ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2 LOANS

Loans receivable are comprised of loans to local business owners in a specific geographical area. These loans were made for working capital, debt refinancing, and fixed asset acquisition. Collateral is comprised of chattel mortgages on business equipment and collateral mortgages on real estate. Interest is accrued on outstanding loans from the date of the last principal payment.

The following summary reflects activities in the loan accounts for the years ending April 30, 2001 and 2000:

	2001	2000
Balance, beginning	\$ 721,804	\$ 728,717
Loans made	356,060	154,284
Payments received	(68,748)	(128,698)
Loans written off	<u>(25,374)</u>	<u>(48,605)</u>
Balance, ending	<u>\$ 984,842</u>	<u>\$ 705,698</u>

The following is an analysis of the allowance for loan losses:

	2001	2000
Balance, beginning	\$ 101,890	\$ 76,608
Loans written off	(25,374)	(48,507)
Increase in provision for loan losses	<u>124,415</u>	<u>66,611</u>
Balance, ending	<u>\$ 200,931</u>	<u>\$ 194,712</u>

LAFAYETTE NEIGHBORHOODS ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 3 COMPENSATION OF BOARD OF DIRECTORS

Members of the Board of Directors were not paid per diem or other compensation during the years ended April 30, 2001 and 2000.

NOTE 4 RELATED-PARTY TRANSACTIONS

The Sterling Grove Housing Development, Inc. has the same Board of Directors as LNEHC. During the year ending April 30, 1993, Sterling Grove Housing Development, Inc. received approval for a maximum \$1,286,300, Department of Housing and Urban Development, Section 202 loan to construct a 36-unit elderly housing complex. LNEHC is the sponsor of this housing project.

During the year ended April 30, 1999, LNEHC and the Lafayette City-Parish Consolidated Government (LCPCG) entered into a revised grant agreement. The agreement calls for the LCPCG to provide \$200,000 to LNEHC to be used for loans and an additional \$17,000 to be used for administrative purposes. Additionally, this agreement allows LNEHC to retain 100% of the annual interest earned on loans and deposits to be used for administrative costs which are in direct support of CDBG, eligible economic development activities.

LNEHC, as of April 30, 2001, has a receivable in the amount of \$8,580 from Sterling Grove. LNEHC also paid Sterling Grove \$8,280 and \$5,000 for the years ended April 30, 2001 and 2000, respectively, for rental of office space. In addition, there is a balance of \$6,000 in prepaid rent to Sterling Grove at April 30, 2001.

NOTE 5 CONCENTRATION OF CREDIT RISK

The Organization provides financing to a diversified group of businesses located primarily in the Lafayette area. This assistance is provided based on an evaluation of each customer's financial condition, business knowledge, sufficiency of collateral, etc. Credit losses, upon occurrence, are provided for within the financial statements.

NOTE 6 UNINSURED DEPOSITS

LNEHC maintains its cash deposits in high quality financial institutions. Cash balances may, at times, exceed FDIC insurance coverage. At April 30, 2001 and April 30, 2000, there were no uninsured deposits.

LAFAYETTE NEIGHBORHOODS ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 7 DUE TO AFFILIATED ORGANIZATION

During the year ended April 30, 1993, LNEDEC entered into a joint venture with the Downtown Development Authority (DDA) to establish a low interest loan fund administered by LNEDEC to assist with exterior renovations of commercial buildings in the downtown area. LNEDEC contributed \$25,000 and DDA contributed \$100,000. These funds are restricted for loan purposes only. Upon dissolution of the Facade Grant Program, the \$125,000 will be paid to DDA as well as any interest earned on loans made, provided between LNEDEC and DDA. Included in the balance sheet under the captions "Other Receivables" and "Due to Affiliated Organization," are receivables and payables relating to this program.

NOTE 8 REAL ESTATE TRANSACTION

During the year ended April 30, 1994, the Organization was the recipient of a donation of real estate from the State of Louisiana. LNEDEC subsequently sold the property and received \$50,000 cash and a 15-year, six-percent promissory note for \$1,150,000 (which is subordinated to a construction mortgage obtained for renovations). The intent of the parties is that the buyer will pay accrued interest, annually to the extent of surplus cash from operation of the property (after all operating expenses, debt service obligations, distributions required to be made to the purchaser of limited partnership interests and reasonable reserves). Any unpaid interest shall be accrued but deferred, but not compounded. Upon maturity of the note (March 1, 2009) LNEDEC will receive a donation of the property as payment of the outstanding balance of its mortgage and accrued interest receivable. In accordance with FASB 68, Accounting for Sales of Real Estate, recognition of the profit on the sale of property should be reported when (1) the collectibility of the sale price is reasonably assured and (2) the earnings process is virtually complete. Since collectibility of the entire sales price is questionable, gain on the sale of property has been calculated based on the difference between LNEDEC's basis in the property, the fair market value at the date of donation (\$45,000), and the cash payment received (\$50,000). For the years ended April 30, 2001 and 2000, no payments were received.

INTERNAL CONTROL AND COMPLIANCE

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions described above as C1-1 and C1-2, are material weaknesses.

This report is intended for the information of the Board of Directors and management, and should not be used by anyone other than those specified parties.

Douglas Allen & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
August 13, 2001

LAFAYETTE MISSISSIPPI'S ECONOMIC DEVELOPMENT CORPORATION

Summary Schedule of Prior Year Findings
Year Ended April 30, 2001

80-1	Finding:	<u>Incomplete Loan Files</u>
	Status:	This finding is unresolved. See current year finding 81-1.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs Year Ended April 30, 2001

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report - Financial Statements

An unqualified opinion has been issued on the Lafayette Neighborhoods' Economic Development Corporation's (LNEHC) financial statements as of and for the year ended April 30, 2001.

Reportable Conditions - Financial Reporting

One reportable condition in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 01-1 in Part 2 and is considered to be a material weakness.

Material Noncompliance - Financial Reporting

This section is not applicable for the fiscal year ended April 30, 2001.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended April 30, 2001.

Part 2: Findings Relating to an Audit in Accordance with Government Auditing Standards

01-1 Incomplete Loan Files

Finding:

LNEHC has a standard checklist for loans which details the documentation required on each loan. This check list is completed annually; however, in our review of the loan files we found that current financial statements are not on file for some customers.

Recommendation:

We recommend that LNEHC perform a thorough examination of the outstanding loan files and determine if the required documentation is on file. For those loans, which lack specific documentation, LNEHC should obtain the necessary information. Also, LNEHC should review the loan files subsequent to issuance, preferably annually on the loan's anniversary date, to ensure that documentation is current for all information required.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Management's Corrective Action Plan for Current Year Findings
Year Ended April 30, 2001

Part 2 (continued)

01-2 Indefinite Legal Fees

Findings:

Noted during the audit of the financial statements was the fact that LNEDEC paid \$3,000 in legal fees for an affiliated organization (SCHD) relating to a suit filed by a former employee of LNEDEC and SCHD. The employee was employed as the executive director of both organizations and had an employment contract with SCHD. Upon being terminated for reasons, the employee filed suit and named only SCHD in the suit. It is the opinion of the Lafayette Parish Audited Government (CPADEC) Specialist that this payment represented an indefinable expenditure by LNEDEC.

Recommendation:

LNEDEC should request reimbursement from SCHD for legal fees paid on their behalf.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At April 30, 2001, the LNEDEC did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore this section is not applicable.

Response to finding 01-1:

Incomplete Loan Files

This matter of Incomplete Loan Files will be resolved. Technical assistance service is now provided by Micro Business Development Center, University of Louisiana at Lafayette. All incomplete files are being reviewed and brought current.

Response to finding 01-2:

Indefinite Legal Fees

LNEDEC has requested reimbursement from an affiliate for legal fees paid on their behalf.